

Message Text

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14

ACTION NEA-10

INFO OCT-01 EUR-12 SP-02 AID-05 EB-07 NSC-05 CIEP-01

TRSE-00 SS-15 STR-04 OMB-01 CEA-01 CIAE-00 FRB-03

INR-07 NSAE-00 USIA-06 XMB-02 OPIC-03 LAB-04 SIL-01

JUSE-00 FTC-01 ISO-00 /091 W
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R 040500Z JAN 76

FM AMEMBASSY MUSCAT

TO SECSTATE WASHDC 1734

INFO AMEMBASSY ABU DHABI

AMEMBASSY AMMAN

AMEMBASSY CAIRO

AMEMBASSY DAMASCUS

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY LONDON

AMEMBASSY MANAMA

AMEMBASSY SANA

AMEMBASSY TEL AVIV

USDOC WASHDC

C O N F I D E N T I A L MUSCAT 002

E.O. 11652: GDS

TAGS: ETRD EFIN PFOR MU

SUBJECT: OMAN CONCERN ABOUT U.S. ANTI-BOYCOTT ACTIONS

REF: (A) MUSCAT 1316

(B) STATE 303017

(C) USDOC EXPORT ADMIN. BULLETIN OF NOV. 22, 1975

(D) STATE 295052

(E) MUSCAT 1448

SUMMARY: OMANIS ARE FINALLY REACTING TO RECENT USG ANTI-BOYCOTT MEASURES AND NEW YORK STATE LAW AGAINST DISCRIMINATION.

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COMMERCIAL BANKS OPERATING HERE HAVE BEEN REQUESTED TO INFORM

OMAN CENTRAL BANK IF THEIR CORRESPONDENT BANKS IN U.S. REFUSE TO HONOR LETTERS OF CREDIT WHICH REQUIRE CERTIFICATE THAT THE BENEFICIARY FIRM IS NOT ON ISRAELI BLACKLIST. AT SAME TIME, OMAN NATIONAL TELECOMMUNICATIONS COMPANY (OMANTEL) HAS INFORMED EMBASSY THAT COMPANY IS UNABLE TO COMPLETE PURCHASE OF VITALLY-NEEDED COMMUNICATIONS EQUIPMENT BECAUSE AMERICAN FIRM WHICH WOULD HAVE MADE SALE IS NOW AFRAID OF SOME SORT OF LEGAL PENALTIES IF IT COMPLIES WITH ISRAELI BOYCOTT PROVISIONS. THESE ARE FIRST INDICATIONS THAT U.S. ANTI-DISCRIMINATION MEASURES ARE INHIBITING TRADE BETWEEN U.S. AND OMAN. IF THIS TREND CONTINUES, NOTICEABLE GROWTH WHICH AMERICAN EXPORTS TO OMAN HAVE ENJOYED IN RECENT YEARS MAY END ABRUPTLY. END SUMMARY.

1. OMANGOV HAS REACTED MORE STRONGLY TO NEW YORK STATE ANTI-DISCRIMINATION LAW THAN TO PRESIDENTIAL STATEMENT ON DISCRIMINATION OR REVISED USDOC EXPORT CONTROL PROCEDURES. ON DEC. 24, ALL COMMERCIAL BANKS WERE REQUESTED TO INFORM OMAN CENTRAL BANK IF NEW YORK STATE LAW CAUSED CORRESPONDENT AMERICAN BANKS TO REFUSE COMPLIANCE WITH OMAN BOYCOTT REGULATIONS. CENTRAL BANK SPECIFICALLY REFERRED TO REFUSAL BY U.S. BANKS TO OPEN LETTERS OF CREDIT WHICH REQUIRE A CERTIFICATE THAT A BENEFICIARY COMPANY IS NOT INCLUDED ON BLACKLIST NOR IS A BRANCH, SUBSIDIARY, OR AFFILIATE OF COMPANY INCLUDED ON BLACKLIST. CENTRAL BANK MADE NO MENTION OF COUNTERMEASURES BEYOND VAGUE STATEMENT THAT "NECESSARY ACTION WOULD BE TAKEN REGARDING THIS MATTER". FNCB REP IN MUSCAT BELIEVES THAT POSITION OF FNCB BRANCH HERE WOULD BECOME UNTENABLE IF NEW YORK BANKS SHIED AWAY FROM HONORING LETTERS OF CREDIT FOR OMAN, SINCE THE BRANCH WOULD THEN BE FORCED TO SUSPEND PROCESSING ANY LETTERS OF CREDIT UNTIL FNCB HOME OFFICE SUBMITTED CASES FOR AN AMERICAN COURT RULING.

2. ON DEC. 28, AMCIT ADMIN. MGR. OF OMANTEL INFORMED AMBASSADOR THAT COMTECH LABORATORIES OF SMITHTOWN, NY, HAD BACKED OUT OF AN AGREEMENT TO SELL TELEPHONE CUT-OVER SWITCH SPARE PARTS TO OMAN. THESE PARTS WOULD BE USED FOR CONNECTING LOCAL TELEPHONE EXCHANGE WITH RECENTLY-CONSTRUCTED SATELLITE COMMUNICATIONS STATION. COMTECH HAS ALREADY SUPPLIED ORIGINAL EQUIPMENT WHICH HAS BEEN OPERATING FOR SEVERAL MONTHS. COMTECH CITED NEW REGULATIONS WHICH OPPOSE ARAB BLACKLIST AND ISRAELI

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BOYCOTT PROVISIONS IN COMMERCIAL CONTRACTS AS REASON FOR THEIR SUDDEN REFUSAL TO FILL ORDER. (FYI: IT SEEMS TO US THAT TELEX FROM COMTECH IS FUZZY IN MAKING LEGAL DISTINCTIONS BETWEEN ETHNIC DISCRIMINATION AND COMPLIANCE WITH NATIONAL BOYCOTTS. END FYI.) IF OMANTEL CANNOT OBTAIN THIS AND FUTURE EQUIPMENT IN U.S., COMPANY WILL BE FACED WITH LENGTHY DELAYS IN IMPLEMENTING MUCH-NEEDED IMPROVEMENT OF LOCAL TELEPHONE SYSTEM, AND RESULT MIGHT BE VIRTUAL EXCLUSION OF U.S. FIRMS FROM

LUCRATIVE TELECOMMUNICATIONS MARKET.

3. IN RESPONSE TO OMANTEL'S QUERY, WE OUTLINED DEPARTMENTAL GUIDANCE ON FOREIGN BOYCOTT PRACTICES AND U.S. ANTI-DISCRIMINATION POLICY (REF B). WE POINTED OUT TO OMANTEL THAT U.S. EXPORTERS ARE NOW PROHIBITED FROM SIGNING A RESTRICTIVE TRADE AGREEMENT THAT DISCRIMINATES AGAINST U.S. FIRMS OR CITIZENS ON BASIS OF RACE, RELIGION, OR NATIONAL ORIGIN, BUT THAT REQUESTS FOR AMERICAN COMPANIES NOT TO ENGAGE IN OTHER BOYCOTT PRACTICES AGAINST COUNTRIES FRIENDLY TO U.S. ARE LESS BINDING. WE NOTED THAT TO BEST OF OUR KNOWLEDGE, PROCESSING LETTERS OF CREDIT WHICH CONTAINED ISRAELI BOYCOTT LANGUAGE, BUT DID NOT DISCRIMINATE AGAINST U.S. FIRMS OR PERSONS ON GROUNDS OF RACE, RELIGION, OR ETHNIC BACKGROUND, WOULD NOT BE VIOLATION OF THE LAW. (WE DOUBT, HOWEVER, THAT THESE DISTINCTIONS WILL OVERCOME QUALMS OF SUCH COMPANIES AS COMTECH ABOUT SIGNING ANY CONTRACT WHICH CONTAINS BOYCOTT LANGUAGE.)

4. COMMENT: OMANGOV HAS PREVIOUSLY BEEN RATHER LAX IN ENFORCING ISRAELI BOYCOTT REGULATIONS, BUT THIS WILL CHANGE AS BOYCOTT ISSUE IS BROUGHT TO PUBLIC ATTENTION (REF E). NO ONE--OMANGOV, OMANI BUSINESSMEN, OR U.S. FIRMS--REALLY KNOWS INTENT OF RECENT USG REGULATIONS AND STATE LAWS. IS IT TO SEEK TO END DISCRIMINATION BY FOREIGN COUNTRIES AGAINST AMERICAN FIRMS AND CITIZENS, OR TO SLOW DOWN TRADE WITH ARAB WORLD UNTIL ISRAELI BOYCOTT IS ABOLISHED? UNTIL NEW LAWS AND REGULATIONS ARE PROPERLY CLARIFIED, SOME U.S. FIRMS WILL BE RELUCTANT TO DO BUSINESS HERE FOR FEAR OF LEGAL PENALTIES, TO THE GREAT DETRIMENT OF OUR COMMERCIAL RELATIONS.
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